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Selling Opening Gaps Up and Buying Opening Gaps down:[Back to
MODULE 1](#)**Main Points:**

One of the easiest daytrades you can make is to *buy stocks that have gapped down by at least 5% or to short stocks that have gapped up over 5% on the open.*

Why does this happen? In overreaction to news or earnings reports.

Guidelines:

- This is a trade executed at the **open** of the market (around 9:35)
- You will probably **exit the trade by 10-10:30**, depending on momentum
- Be cautious on these plays by setting **stop losses** as always within 1/4-1/2 point max. Especially with earnings plays, the gap down may continue. The bigger the gap, the more likely some retracement will occur. If a stock gaps over 30% then keep an eye on it. These happen daily.

Gap Down Example: PZZA gapped down to 33 on 11/19 before rebounding to over 36. The play? We bought at 34 1/8, sold at 35 7/8 for a 1 3/4 point gain in 20 minutes. This was brought to our attention by CNBC.



Gap Up Example: SBUX gapped up to 30 3/4 premarket before tanking to around 28 1/2. It would have been a "short on open" at 30 3/4. We caught the bounce play for

a [fractional gain](#) later, but the big play was the short on open.



Use your quote service to flag volume breakouts and "day's gainers/losers" to identify gap plays. These can also be played later in the morning, so you can check [bigcharts](#) etc. for the day's losers/winners.



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